



U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT

INDONESIA:

**Mid-Term Evaluation of USAID's
Partnership for Economic Growth Grants**

By



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INDONESIA
Mid-term Evaluation of USAID's Partnership for Economic Growth Grants

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INDONESIA

Mid-term Evaluation of USAID's Partnership for Economic Growth Grants

Summary Findings and Recommendations

This is a Mid-term Evaluation of USAID's Cooperative Agreements with four grantees in support of its Partnership for Economic Growth (PEG) program. The PEG grants seek to upgrade the extent and quality of the national economic policy discussion, improve the context in which economic policy decisions are made, and spark meaningful, market-oriented reform. The four grantees are IRIS – LPEM; Asia Foundation; USF – Udayana; and GMU – SIAGA. Three of the grant recipients are to receive substantial grant extensions, and the fourth is under consideration for an extension.

The Evaluation Team assessed the performance of the activities sponsored by these grants, from the following perspectives:

- Relevance
- Effectiveness
- Efficiency
- Impact and sustainability

Methodology

The evaluation methodology included review of a variety of documents, reports and analyses; a series of interviews of senior grantee and USAID staff; administration of a questionnaire during structured interviews of nearly 40 activity participants; and technical assessments of activity design and implementation, including management information systems and control.

Achievements

The four grantees have compiled a notable record of achievements:

- **IRIS – LPEM** was able to organize, on very short notice, 12 major public conferences and 37 discrete seminars, workshops and other events across Indonesia, in the run-up to national elections. They also can take credit for helping to bring a new generation of policy makers and advisers forward as leaders and media spokespersons for reform.
- **The Asia Foundation** has devoted its assistance to strengthen SME associations, both in terms of organizational capacity and increasing their influence in policy making. They also have supported a number of studies and analyses of critical importance for SMEs, some of which formed the basis for the conditionality of international financial institutions.
- **USF – Udayana's** program focused principally on skills training for the legal profession (law faculty, lawyers and notaries) in eastern Indonesia. Sub-activities included research grants and short courses for law faculties; legal education and

reform seminars; short courses for legal professionals and provision of technical support to public officials and NGO representatives at both the provincial and regency levels.

- **GMU – SIAGA** also conducted a “road show” of regional seminars in five selected cities during the period leading up to national elections. Their program has broken out along topical lines, with research teams in the following areas: Banking regulation and reform, Taxation, Financial disclosure and Competitiveness and sound environmental business practices.

Relevance

Grantee activities in general were deemed highly relevant to a changing Indonesian context. They should be given high marks for their flexibility and initiative in responding to an opportunity to support economic reform during a chaotic period. Participants generally ranked the activities as highly relevant, with some variation. One possible explanation for a lower relative score received by GMU – SIAGA is that their program appeared to adhere closely to prior faculty research interests.

Effectiveness

Participants also tended to rank implementation of the activities by the four grantees as highly effective, although by a lower margin and with wider variability. There was a fairly marked difference between relevance and effectiveness in activities directly related to developing advocacy capacity, and a significant one in areas identified with policy or institutional reform. Effectiveness in legal skills training was ranked almost equal to relevance, although when asked to name the principal barriers to improving economic governance in Indonesia, few participants mentioned legal skills, even among those who had benefited from a training seminar. A heavy weight was placed on politics and misguided policies, as well as various synonyms for official corruption – lack of rule-of-law, corruption and racketeering, lack of transparency and accountability, lack of “human resources” in local governments, and so on.

Efficiency

Performance monitoring systems were set up exclusively to track activity outputs (e.g., number of seminars conducted, or trainees trained) rather than intermediate results (e.g., number of laws or regulations reformed) or impact (e.g., increase in number of loans to SMEs following a legal or regulatory reform to lending to SMEs). And only three of the four grantees had installed any kind of results targets and monitoring systems at all. The quality of grantees' financial information systems varied even more widely, and in fact, two of the four could not provide detailed expenditure data. It was not possible to endorse the efficiency of grants management in these cases. Finally, the Evaluation team felt that some of the grantees did not view counterpart contributions from the perspective of the eventual survival and sustainability of the institutions that had been supported.

Impact and sustainability

Participants were optimistic about the possibility that substantive change could be effected during the next three years to improve economic governance in Indonesia. Notable exceptions included progress in competition legislation and decentralization. Participants believed that rapid payoff could be achieved in SME empowerment, organization of national SME advocacy groups (ie, FORNAS), and advocacy training. Also perceived as more doable than not within three years were bank restructuring and reform of collateral law; as well as increasing transparency and accountability. Upgrading the skills of legal professionals was ranked high in terms of immediacy of impact, although participants tended not to list these as highly consequential for future efforts to improve economic governance.

As to institutional sustainability, there was broad agreement among the participants interviewed that institutional linkages would eventually disappear once external financing was phased out. The majority seemed to believe that an additional 3 – 5 years of external support, at a minimum, would be needed.

Recommendations

1. Within the context of the planned grant extensions to the grantees:
 - **Performance targeting and monitoring** needs to be hardened. The grantees should be encouraged to target and track intermediate results, as well as program outputs, and to set up systematic reporting systems to monitor progress toward achieving those results.
 - **Financial reporting** also should be made more detailed and informative as regards the information that would be needed to compare the relative cost-effectiveness of competing uses of grant resources.
2. Networking and leveraging should be strengthened. Options include:
 - **Monthly accomplishments newsletter** to all participants.
 - **E-mail/website exchanges.**
 - **In-kind advocacy sub-grants** targeted to NGOs/community groups.
 - **Potential link-up with World Bank network** of Kecamatan-level representative organizations.
3. The strategic focus of the grants should also be reviewed to take due account of:
 - **Potential for significant impact** within the next three years. The different strategies and objectives underpinning support for policy and institutional reform as opposed to professional skills training need to be carefully thought through.
 - **Potential for long-term sustainability.** The strategic design of the grants should include exit strategies for the institutional support being provided:
 - ***Support for eventually self-sustaining advocacy institutions.*** This strategy involves working with grass-roots groups with real constituencies for reform. The Asia Foundation's work with SME associations is an example.

- *University-based advocacy efforts* do not appear to be sustainable institutionally, because they lack natural constituencies for reform. What the exit strategies are in these cases needs to be carefully spelled out.

INDONESIA
Mid-term Evaluation of USAID's Partnership for Economic Growth Grants

1. Introduction

This is a Mid-term Evaluation of USAID's Cooperative Agreements with four grantees in support of its Partnership for Economic Growth (PEG) program. The grants were funded during a period of significant upheaval in Indonesia, culminating in the collapse of the Suharto regime, democratic elections and economic reform. As described in more detail in subsequent sections (and in Annex IV to the report), the grantees have made significant and commendable contributions to this process during a critical period in Indonesian history.

The PEG grants seek to upgrade the extent and quality of the national economic policy discussion, improve the context in which economic policy decisions are made, and spark meaningful, market-oriented reform. They are framed within the context of the Mission's overall program in Indonesia, which includes related activities, especially the promotion of democracy and improved governance through support for development of an independent capacity for advocacy in Indonesia.

The four grants, and the areas of reform that they target, are as follows:

- **IRIS – LPEM:** Improving economic governance by strengthening private sector capacity for analysis, policy design and promotion of sound economic policy.
- **Asia Foundation:** Rationalizing the regulatory regime for small and medium enterprises (SMEs)
- **USF – Udayana:** Improving legal education related to economic and commercial law
- **GMU – SIAGA:** Money and banking reform; fiscal policy reform; financial disclosure and privatization; and competitiveness and environmentally sound business practices

Although the grants themselves are coming to an end, three of the four grants have already been extended by the Mission, and in addition separate sub-grants have been made to the same NGOs under the Partnership for Economic Growth contract. The characterization of this assignment as a mid-term evaluation is therefore justified by the fact that the program itself is ongoing.

The original grants were all approximately \$1 million in size. The three extensions that are envisioned at this time are as follows:

- **IRIS – LPEM:** \$3.2 million
- **Asia Foundation:** \$1.1 million
- **USF – Udayana:** \$470,000

2. Methodology

The Evaluation Team reviewed a variety of documents and data provided by the grantees (see Annex I, 'References'); and conducted a series of interviews of senior grantee and USAID staff, as well as representative activity participants (see Annex II, 'List of Persons Met'). The Team also carried out structured interviews of representative activity participants (see Annex III: Participants' Questionnaire). Finally, the Evaluation Team made a number of technical assessments in respect to program design and implementation; the quality of technical studies, workshops and training and the personnel fielded to carry them out; and management information systems and controls.

2.1 General methodology

The general methodology was as follows:

- Review of documents/results monitoring & budget data;
- Review of samplings of reports, studies, analyses, news articles;
- Interviews of program participants (both sponsors and beneficiaries);
- Qualitative assessments (of management systems, personnel qualifications, etc.); and
- Administration of participants' questionnaire concerning activity relevance, effectiveness, impact and sustainability.

The following sections outline the approach to gathering and evaluating information within the context of this evaluation.

2.2 Information requests and evaluation

As an initial step, the Evaluation Team requested that the grantees provide the following information, as available:

- Up-to-date performance monitoring reports
- Samplings of press articles and other media coverage
- Samplings of analyses, studies, reports, draft laws, etc.
- Samplings/results of satisfaction surveys from training seminars, workshops, conferences, etc.
- Write-ups of significant achievements, success stories
- Lists of activity participants at four (4) sites: Jakarta, Yogyakarta, Bali and Medan, with relevant contact information
- Lists of personnel utilized, including qualifications and specific assignments, with relevant contact information
- Lists of cognizant stakeholders (e.g., GOI or local officials, national or local NGO representatives, political party representatives, or other-donor representatives), with relevant contact information
- Total costs, total administrative costs and total leveraging of counterpart financing (in-kind or monetary)

- Costs by activity or sub-activity
- Costs by activity vehicle (e.g., (1) studies, analyses; (2) training, seminars, forums)
- Costs by line item or sub-item (e.g., long-term expatriate advisers, long-term local experts, short-term expatriate advisers, short-term local experts)

There were several reasons to make such a comprehensive request. The scope-of-work asked for detailed evaluation of the relevance and effectiveness of the activities supported by USAID, and the sustainability of the institutional relationships that were supported. Review of grantee reports and analyses, personnel qualifications, and so on, was an essential part of making a qualitative assessment of the effectiveness of program delivery.

The Evaluation Team also needed contact information on a representative sample of participants and stakeholders, who we intended to survey to derive an independent assessment of activity relevance, effectiveness and projected impact, as well as institutional sustainability.

In addition, it was assumed that comprehensive information on results and costs could provide an objective basis to assess the comparative efficiency of the activities and sub-activities. Beyond this, the scope-of-work asked the Evaluation Team to evaluate the structure and implementation of management controls by each of the grantees. A critical element of management control is the effectiveness of management and financial information systems (MIS/FIS). One of the best means to test the extent to which MIS/FIS systems are functioning effectively is to make a comprehensive information request – to “take it out for a test drive.” In other words, the extent to which the grantees had ready access to systematized information on program results, costs, leveraging of counterpart co-financing and so on, provided important information to the Evaluation Team about the effectiveness of their management control systems.

2.3 Participants' questionnaire

The Evaluation Team conducted a series of structured interviews with persons identified by the grantees themselves as representative of participants in their activities. These were carried out in Jakarta, Yogyakarta, Medan and Bali. In all, 39 participants were interviewed, and these interviews yielded participant rankings of 97 topical areas covered by PEG grantee activities, including 36 rankings of Asia Foundation activities, 27 of USF-Udayana activities, 25 of GMU-SIAGA activities and 9 of IRIS/LPEM activities.¹

Although this would be too small a sample size to justify the use of statistical techniques and analysis, nonetheless the questionnaire was administered as a structured interview, during the course of which a number of response cross-checks were applied. In those cases

¹ The Evaluation Team had difficulty following up with participants cited by IRIS/LPEM: 80% to 90% of the telephone numbers of participants listed in the Jakarta area, for example, were no longer valid; and a number of no-shows occurred among those who could locate be located. Nonetheless, the participants who were interviewed were heavily concentrated in one activity – the “Road Show,” providing a degree of robustness to the responses of this is sub-sample.

in which information was either not complete or apparently inaccurate, interviewees were called back for clarification.

In most cases, USAID representatives accompanied and actively participated in the interviews, which usually took from ½ to 1½ hours to complete (some interviews were conducted in workshop settings with several participants). The nature of the participation of the persons interviewed ranged from receiving economic support (honoraria, etc.), to payment of activity-related expenses (per diem and travel), to simple attendance without compensation in seminars and workshops.

The participant interviews were utilized to derive an independent evaluation of the relevance of the activities to Indonesian economic governance, as well as of the effectiveness of the way the activities were conducted. Participants were also asked to assess the time period they projected would be needed before any significant impact could be achieved in terms of improved economic governance in each topical area.

Beyond assessment of the activities in which they had participated in the past, the interviewees were asked to name the principal areas that they felt were impeding improved economic governance in Indonesia currently, and whether these areas could usefully be addressed by future PEG-grant activities. They were also asked to evaluate whether, should USAID grant funding be terminated, the institutional relationships that have been fostered or strengthened by the grants would be likely to continue and strengthen, or gradually disappear.

A number of other questions encouraged the interviewees to discuss the type and nature of their participation in grantee activities, whether the grantee conducted client satisfaction surveys, the extent and nature of follow-up communications, and any suggestions for improvement in future program delivery.

3. Relevance and Effectiveness

The Evaluation Team assessed the relevance and effectiveness of the conduct of the activities and sub-activities supported by PEG grants from a number of perspectives. The process included review of grant documentation, grant benchmarks and results monitoring, and other documents and reports on activity implementation and accomplishments.

Extensive interviews with senior grantee and USAID representatives were conducted to gain a better understanding of activity context, relevance and accomplishments. The four grantees were also asked to supply brief summaries of their principal activity accomplishments, how they contributed to enhancing the nature and quality of the economic policy debate in Indonesia, and lessons learned from the experience (see Annex IV, where these summaries are reproduced verbatim).

The Evaluation Team also made some qualitative assessments, ranging from reviews of the technical quality of samples of studies and analyses, to interviews with and assessment of the qualifications and credibility of personnel funded by the PEG-grant activities.

Finally, tabulations from the written questionnaire by topical area and by grantee were utilized to develop an objective assessment of program relevance and effectiveness.

3.1 Accomplishment highlights

Each of the PEG-grant recipients has posted notable a record of accomplishments. Highlights are summarized in the following section of the evaluation (see Annex IV for summaries of accomplishments/lessons learned received from each grantee and annexed verbatim to this report). This is followed by a presentation of projected and actual results, for each grantee.

IRIS – LPEM

The PEG grant to IRIS – LPEM was approved just prior to dramatic changes occurring in the political economy of Indonesia, and as a result program implementation was initially delayed, and then the implementation plan was altered to respond to evolving needs in the wake of the collapse of the Suharto regime. IRIS – LPEM's flexibility and responsiveness to changing GOI and USAID priorities and needs was one of the principal factors underlying what stakeholders have generally described as a very successful program.

Ultimately, IRIS was able on very short notice to organize 12 major public conferences across Indonesia, and 37 discrete seminars, workshops and other events across Indonesia, during a very short period leading up to the elections which were held in June of 1999. The objective of the "Road Show" was to change the nature of the economic dialogue in the country, by introducing representatives of fledgling and established political parties, NGOs, local governments, and other institutions, to the trade-offs inherent to various economic policies that were being discussed during the election campaign. Although the direct influence this may have had on the substance of the election is difficult to gauge, it is true that a number of the most ill-advised proposals coming forward from the various political parties were not ultimately implemented.

In addition, IRIS – LPEM can take credit for helping to bring a new generation of policy makers and advisers forward as leaders and media spokespersons. The two main examples are Dr. Anwar Nasution, who is now acting head of the central bank, and Dr. Sri Mulyani, who until recently served as an economic advisor to the President and headed the National Economic Council. IRIS- LPEM also was responsible for the creation of a network of university economic departments across the country, which provided a platform for the conferences and workshops. The network allowed people in Indonesia's provinces, especially off-Java, to hear and discuss with a new generation of policy makers and advisers.

As regards results reporting, IRIS informed the team that, perhaps because of the rapid change in the grant's objectives and plan at the outset of implementation, no results targets

or monitoring system had been agreed with USAID to track the activity's outputs and results prior to the conduct of the evaluation.

Asia Foundation

The Asia Foundation's program has utilized its PEG grant to help strengthen Indonesia's small- and medium-scale enterprise (SME) associations, both in terms of their organizational capacity and the quality and effectiveness of their ability to advocate the interests of their constituents at the national level. National Conferences for SMEs have been held in 1997, 1998 and 2000, drawing from fourteen regional SME forums, with the objective of raising awareness of the critical role played by SMEs in the Indonesian economy and increasing the influence of SMEs in policy-making.

The Asia Foundation has supported studies and analyses in a number of areas of critical importance to SMEs, and then disseminated the results to be utilized as a basis for advocacy efforts on behalf of SMEs. Significant examples include ways to promote the establishment of "One-Stop" service centers for obtaining licenses and approvals. Positive results from a pilot project in Gianyar, Bali, have been disseminated and discussed as a model for other regions to follow. The Foundation also has supported the enactment of a sound competition law, which would eliminate artificial barriers to entry; and seeks to ensure that state-owned enterprises are deemed to fall within the jurisdiction of the Anti-Monopoly and Fair Competition Law.

The Asia Foundation's results reporting indicates that in 1999 it met or exceeded nearly all of its output goals for the year, as summarized in the following table:

**Asia Foundation
Aggregate Outputs for 1999**

	Policies, workshops, conferences, training, regional forums	Press articles on relevant economic issues	Policy "dialogues" with GOI or Parliament	Collaboration activities with international agencies	Policy studies, analytical memorandums, reports, draft laws
Planned	18	75	36	16	3
Actual	52	91	35	24	7

USF - Udayana:

The PEG grant to USF – Udayana has been utilized principally to institutionalize the Center for Commercial Law and Economics (CCLE) at the Bukit Jimbaran campus of Udayana University in Bali. CCLE's first priority has been to develop the curriculum and teaching staff at Udayana's faculty of law, as well as teaching staff from other faculties of law in eastern Indonesia.

Vehicles for accomplishing these goals through skills training, mainly focusing on the legal profession, have included:

Law faculty skills training and research

- Research grants to faculty from Udayana University and other law faculties in such areas as economic law, the legal basis for "one-stop" licensing centers, and the impacts of decentralization on small business
- Short courses on social science research for faculty from public and private law faculties from throughout eastern Indonesia
- Participant training at USF and continuing research exchanges with USF law professors
- English language training

Legal education/reform seminars

- Draft Law on the Legal Profession
- Draft Law on the Supreme Court
- Fiduciary Transfer Law
- Reform of the Court System

Short courses for legal professionals

- Alternative Dispute Resolution
- Contract Law
- Bankruptcy law
- Intellectual Property Rights

Other activities have focused on the provision of support to public officials and NGO representatives, both at the provincial and regency levels. Highlights have included:

- Legislative drafting needs assessment
- Seminar on decentralization
- Development of environmental policy analysis skills

USF – Udayana's results reporting indicates that in 1999 it met or exceeded most of its planned targets, with the exception of the completion of policy analyses, reports, draft laws, etc., where the activity fell considerably short of expectations:

USF - Udayana Aggregate Outputs for 1999

	Policies, workshops, conferences, training, regional forums	Press articles on relevant economic issues	Policy "dialogues" with GOI or Parliament	Collaboration activities with international agencies	Policy studies, analytical memorandums, reports, draft laws
Planned	9	0	9	10	30
Actual	11	0	10	10	15

The Evaluation Team was informed that the USF – Udayana program will place an increasing focus on decentralization/autonomy issues in the future.

GMU – SIAGA

Under the GMU – SIAGA activity, PEG-grant funding has been utilized to support regional seminars in five cities in Indonesia, in a program paralleling the “Road Show” activity IRIS was responsible for. These seminars, which were successfully mounted within a very short and critical time frame, allowed a broad-based discussion of the economic crisis among government officials, political parties, the academic community and the public at large (including NGOs).

Beyond this, GMU – SIAGA has supported research and analysis four distinct areas:

- **Team A: Banking Regulation and Reform.** The sub-activity developed position papers and encouraged discussion of various aspects of banking regulation in a variety of settings, including the central bank. Dr. Sri Adiningsi has developed into a persuasive celebrity spokesperson in the mass media for reform in this area.
- **Team B: Taxation.** Under this sub-activity, SIAGA experts reviewed new tax laws and provided recommendations to policy makers. They also analyzed and contributed to the revision of the Income Tax and the Value Added Tax Laws. Other contributions have included the conduct of workshops on the social safety net delivery mechanism, and discussions on fiscal decentralization and regional autonomy.
- **Team C: Financial Disclosure.** GMU - SIAGA is completing an “index” of financial disclosure of companies listed on the Jakarta stock Exchange. The result is intended to increase incentives for uniform financial disclosure among those companies.
- **Team D: Competitiveness & Environmentally Sound Business Practices.** This activity is devoted to continuing research in competitiveness of Indonesian import-substitutes and export products, particularly in the agricultural sector; and other activities.

GMU - SIAGA Aggregate Outputs (2/99 – 6/00)

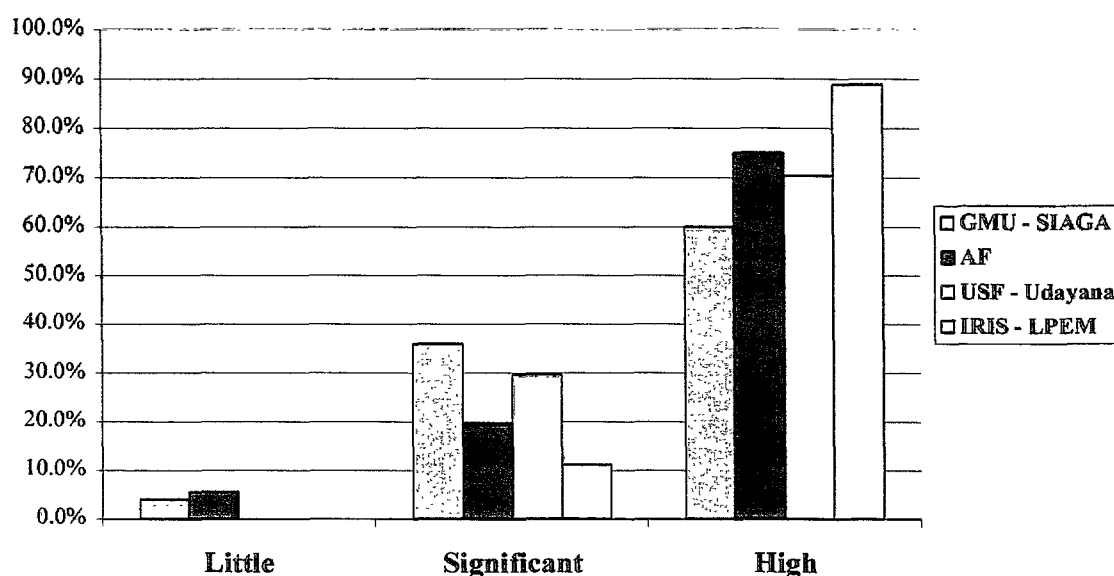
	Policies, workshops, conferences, training, regional forums	Press articles on relevant economic issues	Policy “dialogues” with GOI or Parliament	Collaboration activities with international agencies	Policy studies, analytical memorandums, reports, draft laws
Planned	23	22	54	0	47
Actual	23	18	35	2	32

GMU – SIAGA's results reporting indicates that from February 1999 through June 2000 its record was mixed in respect to meeting its output goals, as summarized in the table above.

3.2 Relevance and effectiveness, by grantee

Interviewees were asked to rank the relevance of the PEG-grant sub-activities in which they participated in respect to improving Indonesian economic governance. The results are tabulated in Figure 1, by grantee. This indicates a fairly wide dispersion among the grantees in terms of those activities ranked highly relevant, from nearly 90% in the case of IRIS – LPEM, to just 60% in the case of GMU – SIAGA.

**Figure 1: Activity Relevance
(by grantee)**

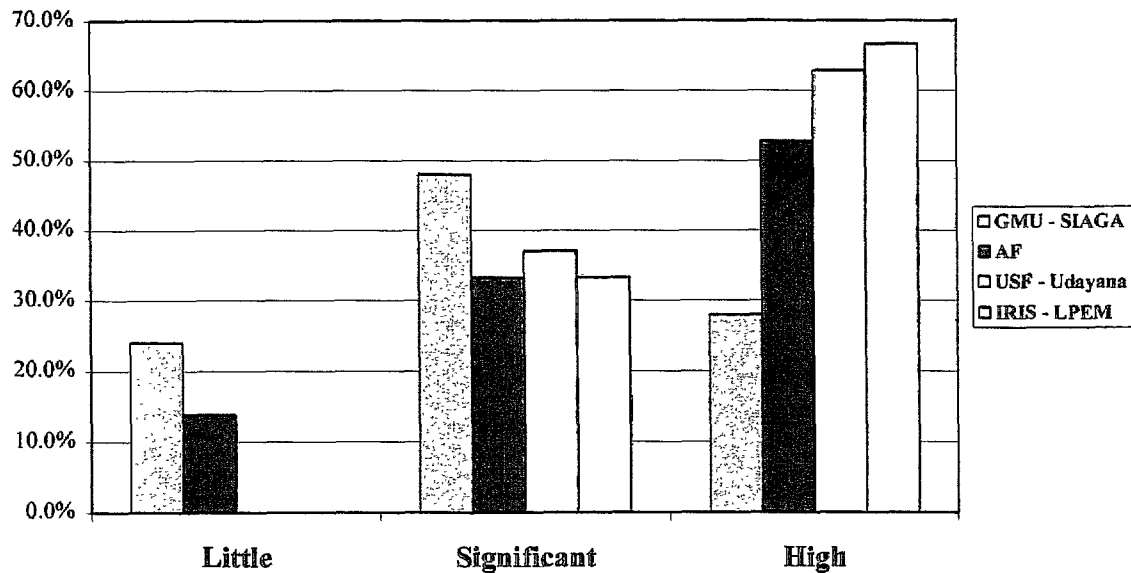


One possible explanation of the relatively low relevance rankings for GMU – SIAGA is that their activities appear to follow the prior research interests of faculty members.

Figure 2 shows participant rankings of the effectiveness of the conduct of the PEG-grant activities, by grantee. As might be expected, the participants tended to feel that the relevance of the topical areas to improving economic governance generally exceeded the effectiveness of the conduct of the activities. But it is significant that the dispersion among the grantees in fact widens in regard to the activity effectiveness rankings, with IRIS – LPEM again receiving the best (more than 65% ranked highest), and GMU – SIAGA receiving the worst (less than 30% ranked highest).²

² Possible explanations for this are explored in subsequent sections (see in particular section 3.4). But it is noteworthy that, alone among the four grantees, GMU – SIAGA does not conduct participant satisfaction surveys, a procedure that might have alerted them earlier to such concerns.

Figure 2:
Effectiveness of Activity Conduct
(by grantee)

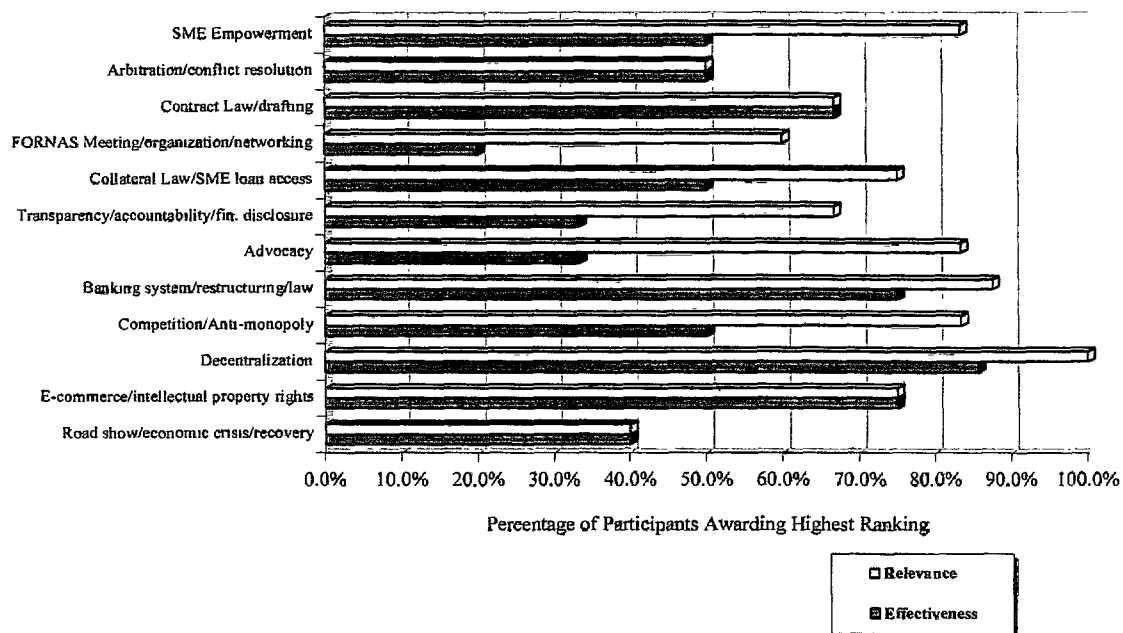


Another notable result from this comparison is that, while USF-Udayana ranked third among all the grantees in terms of the relevance to economic governance of the topics it pursues, it ranked second in terms of the effectiveness of the conduct of those activities. This reversal may reflect the fact that a significant proportion of the USF – Udayana focus is on training of law faculty, lawyers and notaries in professional skills (see previous section). Although these professional skills may be extremely important in terms of the job performance of the participants, they may have less relevance in terms of national or regional policy or institutional reform.

3.3 Relevance and effectiveness, by topical area

Tabulations of participant rankings of relevance and effectiveness by topical area are presented in Figure 3. One notable feature of these tabulations is that for areas such as arbitration/conflict resolution, contract law/drafting and e-commerce/intellectual property rights, there is a remarkable coincidence between the rankings of relevance and of effectiveness in the conduct of the activity. Again, one explanation for this coincidence is that in these activities the main focus has been on skills training rather than on policy analysis or advocacy, so that activity “effectiveness” may mean something completely different in this context.

Figure 3:
Relevance and Effectiveness of Selected PEG-Grant Activities



This contrasts sharply with those cases in which the activities focus primarily on policy analysis, advocacy of policy reform, or the strengthening of civil society institutions to enable them to engage in advocacy for reform. Topical areas in which the gaps between relevance and effectiveness are significant include those in which the grantee has been involved in policy studies and analyses, including transparency/financial disclosure, competition law, collateral law and fiscal decentralization. The gaps between relevance and effectiveness become even more pronounced in areas relating to the strengthening of advocacy groups themselves, including such topics as SME empowerment, organization of a national network of SMEs (ie., the FORNAS), and advocacy training.

3.4 Technical quality

Assessment of the effectiveness of policy dialogue activities in terms of the technical quality of the economic analysis or advice, or of the technical preparedness or credibility of the experts who perform the analysis or provide the advice, is of necessity a somewhat subjective exercise. As such, it should not constitute the primary basis for evaluation of activity effectiveness. Nonetheless, it is an important aspect of any evaluation of professional services rendered.

In this case, the scope-of-work requires the contractor to evaluate a sampling of the studies, reports, and analyses funded as sub-activities under the grant agreements. It also requires a determination as to the appropriateness of the personnel funded under the grants to carry out the tasks at hand. The scope mandates that the Evaluation Team should be composed of technical experts in the fields to be evaluated – a Ph.D. economist and an MBA financial

analyst, one of whom is a native Indonesian speaker – so that these assessments of technical quality are credible.

The Evaluation team's findings in respect to these qualitative assessments are summarized below. (Assessments of professional qualifications are dealt with in the following section.)

IRIS – LPEM

The Evaluation Team felt that IRIS and its subcontractor LPEM at the University of Indonesia demonstrated consistently high quality in terms of the economic policy analysis and advice provided. All of the activity sponsors interviewed by the Evaluation Team demonstrated a firm grasp of the technical aspects of the economic policy issues at hand. And the program has been able to help develop some very senior policy makers, such as the acting head of the central bank, Dr. Anwar Nasution, and credible celebrity spokespersons, including Dr. Sri Mulyani, who frequently appears as an economic commentator on television news programs.

Asia Foundation

The Evaluation Team also felt that the technical quality of the economic policy analysis and institutional development advice supported by the Asia Foundation was of consistently high quality. Significant examples include analyses of one-stop shops for local approvals; competition law and its enforcement; the need for 17 funds directing credit to SMEs; and fiscal decentralization. In several cases, the analyses helped provide a basis for policy conditionality that was subsequently attached to loans from international financial institutions.

USF – Udayana

The USF program, with the law faculty of Udayana University in Bali as its subcontractor, has tended to focus more on training of lawyers and notaries, and on upgrading the skills of law faculties in eastern Indonesia, than on economic policy analysis and institutional reform. The Evaluation Team felt that this was appropriate in light of the relatively modest academic credentials of the law faculty of Udayana University and other universities in eastern Indonesia. And the qualifications of the expatriates brought in to train lawyers and notaries were excellent. But in those cases in which the activity has focused on economic policy reform as opposed to skills training, some stakeholders have questioned the program's concentration on legal aspects, to the virtual exclusion of economic aspects. Providing more economic expertise is now envisioned as the program shifts toward a greater emphasis on decentralization issues.

GMU – SIAGA

The Evaluation Team found that the technical quality of activities pursued under the auspices of the GMU – SIAGA grant varied considerably.³ On the one hand, parts of the

³ It is also true, however, that GMU – SIAGA appears to have compensated for this variation by directing more of the grant financing to the higher-quality activities.

program appear to be highly effective. Dr. Sri Adiningsih, for example, is very qualified technically in banking regulation and reform (Team A), and has developed into a persuasive celebrity spokesperson in the mass media for reform in this area. Other parts of the program are effective in counseling government officials on fiscal policy (Team B). But on the other end of the spectrum, Team D's approach to 'competitiveness' appeared to the Evaluation Team to be a throwback to trade protectionism. Another issue relates to the credibility of key personnel. Some participants in the series of seminars on accountability and transparency (Team C), for example, said they were less than credible because of the appearance of conflict-of-interest on the part of a lead professor in the effort.

3.5 Appropriateness of personnel

In general, the personnel funded to provide training and technical assistance under the PEG-grant activities appeared to be highly qualified in terms of their academic qualifications, as summarized in the following table:

Number of Experts, per Highest Degree Obtained*

	Ph.D	M.A.	B.A.
IRIS - LPEM	15	4	
USF – Udayana	40	24	
GMU - SIAGA	11	2	13

* Comprehensive Asia Foundation personnel qualifications data not available.

Where these experts obtained their degrees is also of interest. In the case of IRIS – LPEM, all the PhDs received their degrees in the United States, Great Britain and Australia. The MAs obtained their degrees from the universities in the United States and Great Britain. This compares with GMU – SIAGA, most of whose PhDs were educated in the United States, while the MAs were educated in the United States and Australia.

It is significant that, in light of the above distribution of academic qualifications, more than 55% of the experts in the USF – Udayana program, and 75% of the experts in the IRIS – LPEM program, were Indonesians.⁴

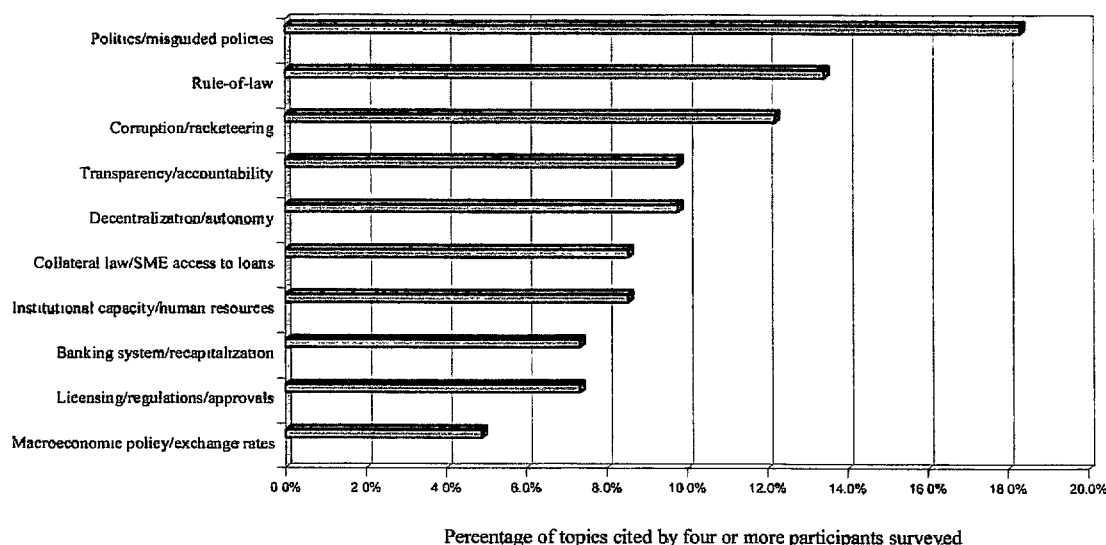
This is a very desirable result in terms of inculcating Indonesian capacity for the discussion of critical economic governance issues. In interviews with the Evaluation Team, participants expressed the desire for seminars to be conducted by lecturers who can relate to the problems of Indonesia, having a deep understanding of the country. And in fact, a

number of the local lecturers were former ministers and high government officials. In several instances the participants asked about the background and the qualifications of the lecturers, especially the expatriates. With expatriate lecturers, some of the participants in Bali expressed their view that the subjects discussed were not truly appropriate to the needs of Indonesia's current situation.

⁴ GMU-SIAGA only provided the names and qualifications of Indonesian candidates.

On the other hand, as mentioned in the previous section, with a fairly high proportion of Indonesian experts leading the PEG-grant activities, there is also a need to assure that the experts have sufficient credibility. The key element in this instance is strict avoidance of even the appearance of any conflict-of-interest.

Figure 4:
Priority Areas for PEG-Grant Program to Address



3.6 Priority areas for future PEG-grant activities

Figure 4 summarizes the major impediments to improved economic governance in Indonesia, as identified by interviewed PEG-grant participants (all the interviewees felt that the PEG grants should focus on the areas they identified as major impediments). The chart ranks those impediments identified as critical by four or more participants in descending order, according to the number of times they were cited.

One salient feature of these rankings is that issues relating to politics, rule-of-law, corruption and transparency far outweighed any of the others in terms of their negative impact on economic governance. Decentralization, which holds so much potential to become yet another source of serious economic uncertainty and high transactions costs, also is high on the list. Banking reform, collateral law and SME access to formal-sector loans also were considered important, as was reducing the burden of licenses and regulation. Macroeconomic policy tended to be cited less often as a critical impediment to improving economic governance than one might have expected, in what was perhaps a form of endorsement of recent central bank policies.

Another important feature, however, relates to what does not appear on the list. The fact is that, when asked to provide their own assessment of the critical impediments to improved economic governance in Indonesia, participants tended not to cite the need for more legal

skills training in areas like contract law, arbitration, and so on. This was true even of those interviewees who themselves had participated in such legal skills training. The one apparent exception to this trend is the area identified as "institutional capacity and human resources." But during discussion with the interviewees about what was really meant by this, they seemed to be referring to the institutional capacity and human resources of local government offices; and in fact the phrase appears to be another polite code for endemic corruption in those offices.

3.7 Annual review with GOI

Each of the four grant agreements requires the grantee to undergo an annual review process with Government of Indonesia (GOI) representatives and USAID. The scope-of-work for this evaluation stipulates that the contractor will review the documents resulting from this process with due regard for the opinion of GOI counterparts as to the value of the grant activities, and any suggestions they may have for improvement. This section recapitulates and summarizes these reactions and suggestions of GOI counterparts.

The joint annual GOI-USAID review was conducted as a workshop entitled "Achieving Rapid, Sustainable, Equitable Economic Growth, in a More Democratic Society", held at the Aryaduta Lido, on March 1-3, 2000. USAID personnel and their GOI counterparts attending the review discussed the following areas:

- Strategy
- Goal, objectives, and policy issues
- Activity suggestions
- Planning next steps

The GOI counterparts realized the high value of the grant activities. Furthermore, their joint discussions revealed several activity suggestions and next steps which should be addressed. The areas suggested for further institution-building, dialogue, and outreach included:

- Trade and Competition Policy
- Decentralization
- Bank Supervision
- Small and Medium Enterprise
- Fiscal and Monetary Policy
- Food Policy and Agriculture

With respect to trade and competition policy, both USAID representatives and their GOI counterparts agree that information dissemination and public discussion should be emphasized, with much greater efforts to inform the public on trade and competition policy issues. This may entail organizing seminars in the regions, and widely distributing pamphlets on selected trade and competition issues. Assistance on trade and competition policy issues with cross-cutting ministerial jurisdiction should be broadened, and ways found to make existing assistance available across ministries.

Decentralization activities would entail working closely with the provincial government to assess the viability of decentralization to the Kabupaten level. Training workshops and seminars on fiscal decentralization for regional governments and universities should be carried out. Training for local governments on good governance, transparency, and accountability should be prioritized. Analyses and comparative studies on labor, regional disparities, investments, and revenue potential should be performed. Networks between local universities and local governments should be developed.

Better bank supervision would entail that Bank Indonesia should be committed to perform more site training. Risk management training for bank personnel with emphasis on smaller banks and regional staff should be performed. Good governance entails the creation, administration and enforcement of international accounting standards. Also, BAPPEPAM (the Indonesian Securities Exchange Commission) should be assisted in developing necessary regulations and listing requirements. Seminars on how enforcement works in other countries should be carried out, including the explanation of laws and consequences.

Regarding corporate debt restructuring, continued support of IBRA (the Indonesian Bank Restructuring Agency) is imperative. The JITF (Jakarta Initiative Task Force, for out-of-court settlements) should receive continued support, while also concentrating on strengthening the transparency and professionalism of the implementation of present bankruptcy law by the judiciary. There should be an outreach to the public to explain the reality of the corporate debt situation, in which the public should be made aware that there have been huge losses. The issue of foreign purchase of Indonesian assets needs to be discussed. As for information dissemination, the suggestion is to develop methods of reaching the general public with information via articles in the press, TV discussion programs, and regional and local seminars.

A conducive environment for SME development should be created, local policies developed, and reviews of all policies and programs benefiting SMEs performed. Suggestion were made to study and provide policy recommendations to facilitate mutually beneficial partnership between SMEs and large enterprises. Credit guarantees relating to meeting loan collateral requirements should be studied and developed. Savings and loan institutions should be strengthened.

Regarding fiscal and monetary policies, existing policies should be reviewed together with Bappenas (the State Planning Agency), the Ministry of Finance/Tax Department, the Economics Finance Industry coordinating ministry, and IRIS. Parliament, State Supreme Auditors, National Economic Council and other agencies should be involved for discussions and dialogues in the future.

As to food policy and agriculture, it has been suggested that collaboration for the establishment of a new architecture and food policy should be performed. Various interests of consumers and producers should be addressed. Conflicting interests between market orientation and government intervention regarding food price stability should be analyzed. Key linkages between food policy involving number of calories, jobs, social linkages and

agriculture involving exports, rural incomes and poverty alleviation must be urgently addressed.

4. Efficiency

The scope-of-work for this evaluation calls for a determination as to whether the PEG grants are proving to be a cost-effective means of addressing the desired objectives. In particular, the contractor was asked to assess whether administration of the grants could be reconfigured to accomplish the same progress more efficiently, and whether the institutions administering the grants are appropriate to the tasks called for.⁵

The PEG-grant recipients all undertook within the context of their respective cooperative agreements to participate in all reviews, assessments and evaluations of their grants. The Evaluation Team informed them early in the process that it would be necessary to depend on them extensively for the information needed to carry out the assignment (see Section 2.2). Although overall the grantees were very helpful, their responses were at best partial in respect to providing requested performance monitoring and financial data. As a result, the Evaluation Team is left with the impression that, with some exceptions, their management and financial information systems are inadequate.

The remainder of this section is organized as follows. Section 4.1 discusses why management and financial information systems are essential to effective grants management. Section 4.2 assesses grants management from the perspective of the performance monitoring systems of the grantees. Section 4.3 presents an assessment of the financial information systems of each of the grantees.

4.1 Information systems and grants management

The scope-of-work for this evaluation requires the contractor to assess whether the grantees have effectively structured and exercised management control over the activities they have been responsible for, and in particular, over the commitment and disbursement of funds. The question deals fundamentally with management and financial management of the grants.

Information is the key to exercising effective management and financial management control. Timely and relevant information is critical to management decision-making; and management information systems (MIS) and financial information systems (FIS) are the basic building blocks of management control. As such, MIS/FIS systems should be considered indispensable management tools to strengthen activity implementation, efficiency, and impact.

⁵ Activity and sub-activity results and effectiveness have been dealt with in Section 3 of this report. In particular, the issue of whether the objectives of the PEG-grant program could be achieved more effectively with a different choice of activities is addressed in Section 3.6, 'Priority areas for PEG-grant program to address.'

Grantees should have a definite interest in highlighting their accomplishments. The systematic means to do so is to monitor and report on activity performance and results. Grantees also should have an interest in tracking detailed expenditure data if they wish to show that their delivery methodology is particularly cost-effective. Nonetheless, in practice, USAID grantees frequently do not track results and expenditures in a systematic enough fashion for the information to be useful as a management tool.

4.2 Management information systems (MIS)

Performance monitoring and evaluation systems are the MIS of USAID activities. These tell USAID and its implementers what is being produced from the U.S. taxpayer funds expended by the implementers. In recent years there has been an increasing emphasis within USAID on tracking performance. This means setting benchmarks and targets for program outputs (e.g., number of seminars conducted, or trainees trained); intermediate results (e.g., number of laws or regulations reformed); and impact (e.g., increase in number of loans to SMEs following a legal or regulatory reform to lending to SMEs). USAID's message to implementers is that it wants them to set reasonable objectives and targets for their activities, and then monitor the degree to which they are met.

The Evaluation Team found that the performance monitoring systems of the four PEG-grant recipients were rudimentary, at best. As summarized in Section 3.1, only three of the four grantees track program outputs on a regular basis and report these against established targets. The fourth – IRIS-LPEM – has no performance monitoring system whatsoever. Even for those grantees that do track activity performance, however, additional emphasis needs to be placed on tracking intermediate results and eventual impact, rather than just program outputs.

It is understandable that, in the atmosphere of upheaval leading up to the elections in Indonesia, there was a need to move quickly to implement activities to improve economic governance. This has been cited as one of the reasons why the benchmarks and targets for PEG-grant results monitoring and evaluation have been so rudimentary. But now, as discussed in Section 1, USAID plans to provide sizable grant extensions to at least three of the four PEG grantees. This would be the right time to require specific benchmarks and intermediate results targets, related to identifiable and observable impacts. And it is the Evaluation Team's understanding that this is USAID's intention.

4.3 Financial information systems (FIS)

Periodic reports from implementers on the expenditures accrued under each commitment are USAID's basic financial information system. Financial information can be an extremely useful tool for tracking costs, identifying savings opportunities and, once grant funding begins to phase down, targeting funds toward the most cost-effective uses of resources. It is also true that reliable information about counterpart contributions can be extremely useful for projecting the likelihood that the institutions that have received support from USAID are on track to achieving self-sustainability once funding phases out.

The Evaluation Team found that while the financial reporting of the four grantees met USAID reporting requirements, their financial information systems varied considerably in terms of effectiveness from grantee to grantee. In particular, the reporting requirements were fairly minimal, and detail on key concepts that might be useful for the exercise of management control in many cases was virtually nonexistent.

IRIS - LPEM

IRIS (the prime grantee) could not provide any expenditure data in the field. IRIS's financial information system is maintained in College Park, Maryland, and all accounting is done there. The Jakarta office does not keep any financial records, nor do they report in a routine manner. Despite an elapsed period of more than a month from the initial request, the Jakarta office apparently could not get IRIS - College Park to respond to the Evaluation Team's information request. It was hard for the Evaluation Team to endorse this as an efficient financial management approach.

Asia Foundation

The Asia Foundation has not provided a complete set of financial reports, and no detailed accounting documents were made available. Only recapitulations, quarterly and annual reports, with narrative but little accounting information, were provided. The reporting is in a simple method, more like a simple expense record. There is no revenue statement. The sources and uses of counterpart funding are not stated. The Evaluation Team suspected that the Asia Foundation has an effective financial information system in place, but could not substantiate that conclusion based on the financial information provided.

USF - Udayana

Most financial records and accounting is handled out of USF in San Francisco (the prime grantee), although a small staff in Bali deserves credit for good record-keeping on expenditures under their jurisdiction. Within a couple of days of receiving the Evaluation Team's request, USF was able to provide the Evaluation Team with a complete set of financial reports, integrating financial information from the Bali office with home-office information, via an email to its field office in Bali. The reports were compiled in a professional and complete manner, including indirect cost and counterpart financing in U.S. dollars. The report used a complete method, stating revenues, expenses and cash flows, plus the capitalization of equipment and furniture. The revenue was stated only as income (interest income received from banks for the current account income). The expenses were for salaries and benefits, airfare and travel documents, and per-diem. Counterpart contributions (including in-kind contributions) were also stated. The Evaluation Team thought the USF-Udayana financial information system was commendable, lending credibility to the conclusion that management control over the activities has been prudently exercised and monitored.

GMU - SIAGA

GMU - SIAGA has provided a complete financial report, although the details are quoted in Rupiah. The report is in a simple format, revenue versus expenses. The revenue is stated as grant/co-share and other income (interest income received from bank for the current account income); while the expenses are for salaries and benefits, airfare and travel documents, and per-diem recorded in U.S. dollars. Management cost is stated only in Rupiah. No detail is provided on expenditures or uses of counterpart funding, raising questions about how this figure was calculated. But on the whole, GMU - SIAGA has demonstrated that it has in place a financial information system that should provide a good basis for grant management and financial planning. This is noteworthy, because GMU is the only one of the four grant recipients that is an Indonesian institution; and its financial reports are superior to those provided by two of the three international grantees. Based on this financial information system, GMU - SIAGA has demonstrated a strong commitment to effective grant management.

5. Impact and Sustainability

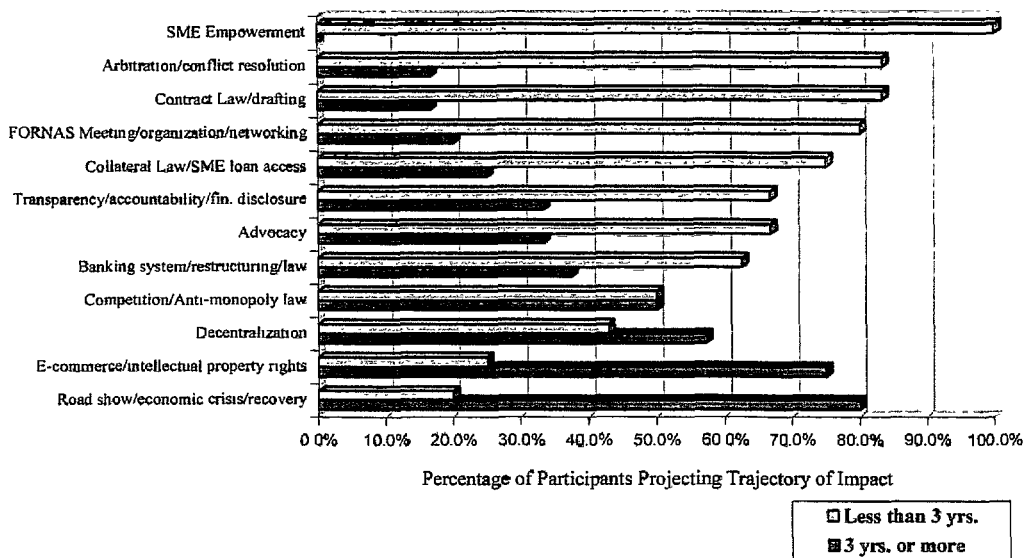
The scope-of-work for this evaluation calls for assessment of the extent to which the activities and sub-activities supported by the PEG grants can be said to be on a trajectory that will lead to their desired impact. This is appropriate because, in particular in regard to policy and institutional reform, the impact is unlikely to be evident in the short term; and these grants were only awarded two years ago. The scope also requires the contractor to assess whether the activities and the partnerships that underlie them are likely to be sustained in the absence of further USAID funding.

To approach this task, the Evaluation Team included questions within the Participants' Questionnaire directly relating to impact and sustainability. The exit strategy of each of the grantees was also evaluated from the perspective of encouraging the self-sustainability of the institutional partnerships that had been formed or strengthened by the grants.

5.1 Trajectory to impact, by topical area

Participants were asked to assess the time period they projected would be needed before any significant impact could be achieved in terms of improved economic governance in each topical area. The objective was to assess the extent to which the activities could be considered to be on track toward achieving their desired impact. The results of this exercise are tabulated, by topical area, in Figure 5, which ranks the activities according to which ones the participants thought would be most amenable to achieving something substantial in three years or less.

Figure 5:
Period Required for Impact to be Achieved



The notable feature of this ranking is the optimism of the participants that substantive reform can occur in the short term in the majority of areas listed. Notable exceptions include competition law, decentralization, intellectual property rights and general recovery from the economic crisis.

In contrast, the interviewees tended to believe that efforts to encourage SME empowerment, organization of a national SME advocacy group (ie., FORNAS), and advocacy training itself could produce high pay-off in the short term. They also placed high hopes on increasing transparency and accountability of economic agents; improving access to formal-sector loans for SMEs (in part through reform of collateral law); and restructuring the banking system.

Also high on the list in terms of achieving concrete results in three years or less were impacts resulting from improving job skills in arbitration and conflict resolution, as well as contracts and contract law.

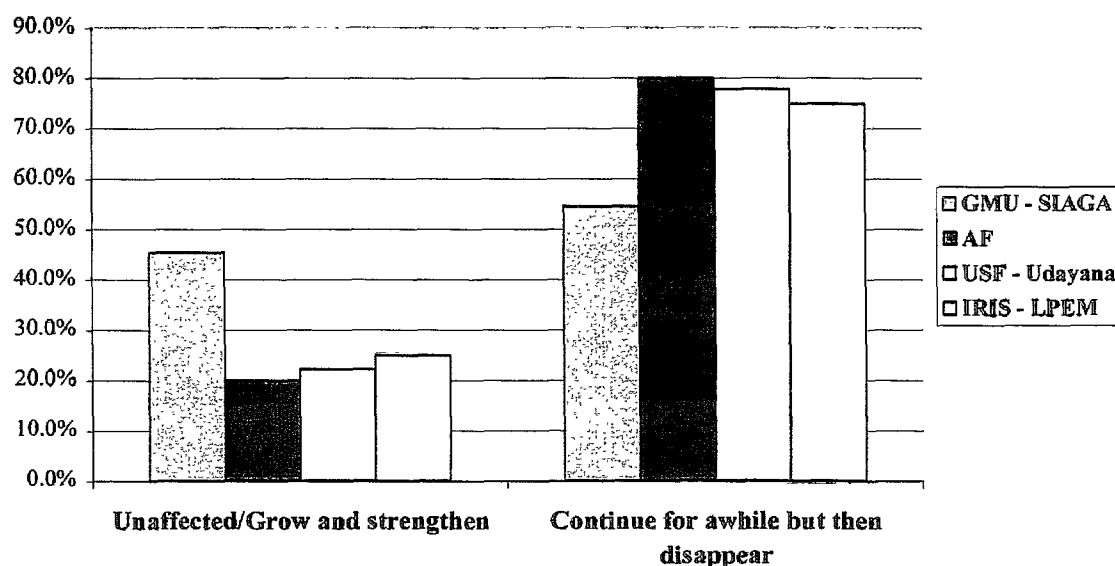
5.2 Institutional sustainability

Participants were also asked what they thought would happen to the institutional relationships that had been formed or strengthened by the PEG grants – once USAID grant financing came to an end. The options they were given in this case were that those institutional relationships would either:

- Be unaffected;
- Continue for awhile but then disappear; or
- Continue to grow and strengthen.

The results of this exercise are presented, by grantee, in Figure 6. (The answers in each case were treated as mutually exclusive by the interviewers.)

Figure 6: Sustainability
What Happens to Institutional Linkages Once Grant Ends?



Briefly, there seemed to be broad agreement among a majority of participants that the institutional linkages that have been set up will eventually disappear without continued USAID financing over the medium term. The interviewees tended to feel that several more years of grant support would be needed to solidify the self-sustainability of the institutional relationships formed or strengthened under each of the PEG grants.

More participants (more than 45% of those interviewed) felt that the GMU – SIAGA program was already self-sustaining than in any of the other programs. One reason this might have been the case is that SIAGA has tended to support activities corresponding to the prior research interests of GMU faculty involved with the activity, and these research interests are likely to continue once the grant financing ends.

5.3 Counterpart (co-financing)

The scope-of-work for this evaluation requires the contractor to assess whether the counterpart funding (co-financing) that has been provided has been meaningful and appropriate. The reason counterpart funding is important is simple: If ever there was a way to substantiate that an activity was on track toward achieving financial self-sustainability, a rising capacity to leverage counterpart contributions would be it.

The record in this regard is as follows:

IRIS - LPEM

The grant agreement states that counterpart funding will constitute no less than 21.5% of the total expenditure. IRIS has provided figures indicating that counterpart funding in fact reached 24%, exceeding the target.

Asia Foundation

As per their June 2000 report, counterpart leveraging was 28%, computed from the counterpart disbursement amounting to \$269,000 divided by the total cost during the period amounting to \$960,000. This compares favorably with the ratio mandated in the grant agreement, which was 25%.

USF/Udayana

As per their September 2000 report, counterpart funding was 23%, computed from the counterpart disbursements, which were \$97,500, divided by cumulative expenditures (including in-kind expenditures), which amounted to \$417,000. This turns out to be almost on target - counterpart funding was projected not to fall below 25% for the grant as a whole.

GMU - SIAGA

Counterpart funding was targeted separately in Rupiah and in dollars. GMU - SIAGA has reported that Rupiah counterpart financing reached 23%, exceeding its target. But counterpart financing in dollars has been nil, so this target has been missed.

Altogether, it is the opinion of the Evaluation Team that some of the grantees do not recognize the importance of counterpart funding, and of its implications for the larger issue of developing exit strategies that will ensure sustainability once funding from USAID comes to an end. This issue is discussed in the next section of the report.

5.4 Exit strategies

Although, as outlined in Section 1, USAID intends to award substantial grant extensions to the PEG grantees, it still makes sense to examine the exit strategies the grantees intend to pursue once grant funding ends. The reason why is to ensure that there is some strategy in place during the course of the grant to foster sustainability of the activity's impacts and of the institutional relationships that have been fostered or strengthened.

In the case of the Asia Foundation the answer is clear. This program is founded principally on the institutional basis of providing intellectual support and other resources to assist the growth of SME associations, and even more specifically, to bolster the advocacy capacity of a national network of SME associations. In this case the exit strategy is clear; and in fact the FORDAs are already providing the bulk of the financing for their own activities, so

the achievement of self-sustainability is already well underway. Indeed, the only issue that remains in this regard is one of making sure that self-sustainability does not become such an all-encompassing goal that the independence of the network of SME associations, or their constituent parts, is threatened.

The other three efforts rely on University linkages. Here, a key question is, what is being produced by the grant? If job skills training is the main outcome of the activity, as appears to be the case for USF-Udayana, at least do far, then institutional sustainability becomes less of an issue, because the activity involves training, and training of trainers (ie., faculty); and these skills will remain and continue to be transferred to new trainers (ie., other faculty) as long as they are current. So, once the grant ends it will not be necessary for the institutional relationships that have been fostered or strengthened to have achieved financial self-sustainability.

Nonetheless, the issue in this case, as raised previously, is whether training programs for eastern Indonesia's legal profession is the most rapid or effective way to make progress in terms of improving Indonesia's economic governance; or whether the effort should be re-directed toward reform of economic laws, regulations and their institutional enforcement.

The other case in point is the attempt to utilize universities as a platform to effect reform of economic governance. The IRIS-LPEM and GMU-SIAGA programs have mainly followed this approach. The first means has been to utilize university positions as platforms for advocacy. This has been successful in the sense of developing some very persuasive celebrity spokespersons who have had considerable success gaining access to national mass media. It has also had some success in terms of elevating key issues to the attention of key policy makers. But without continued external financing such advocacy efforts are unlikely to survive. Universities, by their very nature, do not build constituencies for reform of the kind one can observe in the case of SME associations.

Another possibility is to seek to install the intellectual leaders that the PEG grants have supported into key government positions. Several examples where this outcome has occurred have been cited in the text, including the acting head of the central bank. This provides a good potential to achieve significant and sustainable impact in terms of improving economic governance, even if the institutional relationships at the university level cannot survive without continued USAID funding. An expansion of this idea might be to help develop autonomous public think tanks with responsibility to provide objective technical economic advice directly to policy makers and parliamentarians – on the understanding that these institutions should eventually gain support from a line item in the GOI's budget. It is the understanding of the Evaluation Team that this approach may be under consideration by USAID currently.

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ANNEX I – References

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ANNEX II - List of Persons Met

LIST OF PERSONS MET

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LIST OF PERSONS MET

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LIST OF PERSONS MET

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	Lanang Supriyadi	Jl. Kenari 41 Yogyakarta Telp. 0274 - 564488
	Edy Prasetyo	Jl. Karanglo 66, Kotagede, Yogyakarta, 55173 Telp. 0274 - 377337 and Fax. 0274 - 378452 HP. 0818 - 269563
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ANNEX III – Participants’ Questionnaire

USAID/Indonesia
Mid-term Evaluation of Four Partnership for Economic Growth Grants

Interviews with PEG-grant activity participants

Introduction:

The purpose of this mid-term evaluation is to review the work of four (4) grants under USAID's Partnership for Economic Growth (PEG) program, to determine whether the effort is moving toward long-term sustainability. This is not an audit, but instead an effort to determine the program's main accomplishments, lessons learned, and whether the activities may be improved in the future.

Questions:

1. Name:
Affiliation:
Telephone/fax numbers:
E-mail address:
2. Name of Sponsoring Institution (PEG-grant recipient):
3. Type of activity in which you participated:
☐ Conferences, seminars, workshops, other training
☐ Studies, analyses, papers, articles, manuals
☐ Other (please describe: _____)
4. Nature of your participation:
☐ Received economic support (e.g., honorarium)
☐ Received travel support/per diem
☐ Participated in/led activity
☐ Other (please describe: _____)
5. Please list the topical areas addressed by the PEG-grant activit(ies) you participated in (e.g., competition law, SME operating environment, etc.) and indicate your estimate of the time period required for them to produce real improvement in Indonesian economic governance:

Topical Areas

< 1 yr.

Time Period Required

1-3 yrs.

3-5 yrs.

>5 yrs.

Why?

6. Did the Sponsoring Institution survey activity participants concerning their satisfaction with their relevance and effectiveness?
- ☐ Yes
- ☐ No

7. How would you rank the activities you participated in regard to relevance and conduct?

Topical Areas (listed in item 5)

Little

Relevance
Significant

High

Little

Effectiveness
Significant

High

8. Please list the three (3) main topical areas you feel are most significant in terms of blocking improved Indonesian economic governance:

9. Do you think the PEG-grant activities could be made more relevant by addressing these areas? If so, how?

10. What has been the follow-up of the Sponsoring Institution since the PEG-grant activit(ies) you participated in?

- ☐ Participation in subsequent activities
- ☐ Telephone/fax communications
- ☐ Updates by e-mail
- ☐ Other (please describe: _____)

11. What will happen to the institutional linkages and exchanges fostered under the auspices of this Sponsoring Institution when the funding for this PEG-activity grant ends?

- ☐ They will be unaffected
- ☐ They will continue for awhile but then disappear
- ☐ They will continue to grow and strengthen

Why?

ANNEX IV – Accomplishments/Lessons Learned (submitted by grantees)

IRIS/Indonesia Pre-election Economic Education Program in 1999

The accomplishments of the IRIS pre-election economic education program are numerous and significant, moreover there are important lessons to be learned from the successes of this program in a difficult political transition period in a large, important country. The lessons learned suggest that in the right environment the salient elements of this program could be at least partially replicated in future political transitions.

On a logistic level the IRIS program succeeded in organizing 12 major public conferences across Indonesia and 37 discrete seminars, dialogues and other events to openly discuss economic, political and conflict resolution issues across a country almost as big as the United States. This was the first time that a series of policy conferences was held throughout Indonesia and the whole program was conceived, organized and carried out between late January and mid May of 1999. The election was in June and the decision was made to end the economic education program prior to the official start of the campaign in May when attention would be focused primarily on the competing parties and personalities. Many doubted that such a vast undertaking could be done beginning from scratch in early February and reaching every major city and island in just three months.

Ultimately IRIS did succeed and reached 3300 individuals directly and countless more via radio, television and newspaper coverage of the events and interviews with the participating economists who became widely known during this period.

Beyond logistics the main accomplishment of IRIS' pre-election economic education program was to completely change the nature of the economic dialogue in the country. This improved the electorate's understanding of economic issues, focused on the true nature of the policy challenges facing the country, and shifted the whole dialogue away from policies of controlling and repressing markets toward policies of supporting and enabling market processes. The three main political groupings in the election were (and are) dominated by politicians who are resistant to letting markets function openly and freely for a diverse range of reasons. The PDI-P (which got roughly a third of total votes) is still in part the party of Sukarno and many still believe in a "third way" in politics and economics. In particular they believe that elites know what prices and general patterns of resource allocation should be and are prepared to legislate economic parameters and even outcomes. An example of this was Kwik Kian Gie supporting the idea of fixing the exchange rate and establishing a currency board. The Golkar party (which received a bit more than 20 percent of the votes) was trying to sell the idea of a Peoples Economy wherein a larger share of resources would be allocated through the political apparatus to support mainly small enterprises and individuals at the local level. The third major faction (which together won about a quarter of the votes) was the Islamic parties which ultimately formed a coalition with Golkar and produced the winning Presidential candidate. These parties subscribe to varying degrees of Islamic principles which are suspicions of or even opposed to concepts like the rate of interest. Thus the political system left to itself was likely to come up with a broad range of disfunctional policies, driven by narrow political or outdated ideological considerations. IRIS working with its main partner LPEM, the Institute for Economic and Social Research at the University of Indonesia, managed to change this outcome by enabling technically competent economists to communicate with the people during the run-up to the election when official party campaigning was not yet permitted. To my knowledge this program was unique among all the many bilateral and multilateral donor efforts to support the election in that it was the only one which positively influenced the substance of the election.

A second important accomplishment of the pre-election economic program was the introduction of a new generation of policy makers to the media and the electorate. The two main examples are Anwar Nasution, who is now acting head of the central bank, and Sri Mulyani, who until recently was an advisor to the President and Secretary General of the National Economic Council. Dr. Nasution was very critical of Suharto era monetary policy, outside the inner group of policy

makers, and not well known beyond economic circles. All of this changed during the election; similarly Sri Mulyani was not known outside academic economic circles and during the election became widely known and recognized across the country.

A third accomplishment was the creation of a network of university economic departments and societies throughout the country. These local groups were used to manage the conferences and invite the bulk of the participants. The program thus worked directly to help develop civil society institutions at the regional level. This network continues to function today, dealing specifically with issues relating to the fiscal decentralization reform that Indonesia is pursuing. Regional economists are being trained to help support their provincial and local governments as greatly increased funds and responsibilities are being passed on to the regions. Other donors and other parts of USAID/Indonesia are both utilizing our network for their own regional work and trying to emulate our success with other parts of the regional universities, e.g. the law schools, the local institutes of regional autonomy studies.

A variety of accomplishments were achieved by the IRIS pre-election economic education program, along with other donors in supporting the democratic and electoral process. The conferences provided people in the provinces, especially off-Java, with their first opportunity to hear and meet established economic policy makers such as Mohammad Sadli and Emil Salim and to hear the issues of newly emerging economic policy makers such as Anwar Nasution and Sri Mulyani. The conferences became a true dialogue with ordinary people asking questions of high ranking local officials and policy makers from the capital, in most cases for the first time in their lives. During these sessions it became clear that people in the regions were interested in talking about two issues which had not been on the original list of economic topics. They were conflict resolution and regional autonomy. Utilizing their resources outside of the Department of Economics at the University of Maryland IRIS quickly assembled a team of internationally experienced conflict resolution and negotiation specialists. They together with their Indonesian counterparts participated at almost all of the conferences and several of the other events. Regional and fiscal economists from the Faculty of Economics at the University of Indonesia provided the initial expertise on regional autonomy issues.

Several of the events, most notably the concluding session in Jakarta, were televised across the country, thus supporting the democratic process through an open exchange of views that all could see. IRIS' program thus contributed to the precedent of a free and transparent electoral process in which substantive discussions of the issues were an integral part.

Finally it should be noted that up to this point in time the accomplishments appear to be enduring. The network of universities is still in place and stronger than ever, helping provincial and local governments. Economic dialogue continues within the general framework of finding market based solutions to problems. The key individuals who participated in the program continue to be involved in economic policy making and analysis. The media retains a strong interest in economics and covers speeches, news conferences, and parliamentary proceedings dealing with these issues.

Lessons which emerge from the success of the IRIS pre-election economic education program in Indonesia are as follows:

1. Need to have funds and a program structure ready when the window of opportunity opens. There is typically not enough time to go through a competitive bidding process because the situation is evolving so fast, thus there either has to be funding in place which can be used quickly and opportunistically for the desired activity, or special, rapid funding programs like OTI have to be in place. In this case the awarding of the grant took almost a year, from January to November of 1998. However once IRIS and AID perceived the opportunity at hand and the need for a new set of activities, a new work plan was developed, agreed upon and implementation initiated in just two months (including Christmas). The key point is that funding was available. And, both IRIS and

AID were flexible and innovative enough to recognize how conditions had changed and to quickly create a new program which responded to the new conditions.

2. Funding alone is clearly not enough, both the grantee and USAID have to be flexible and forward looking enough to recognize how conditions have changed and innovative enough to quickly create a new program which is responsive to the new conditions. As well both USAID and the grantee need to be willing to accept some risk in undertaking programs aimed at facilitating a country's transition from authoritarian to democratic regimes.
3. To have any chance of success such a program needs a critical mass of money. Anything less than \$ 500,000 per program is highly unlikely to make an impact in a dynamic situation in a large country like Indonesia. The \$ 100,000 limit on non OTI funding would preclude a coherent country wide program like IRIS with recognized individuals in key roles. In just 4 months from February to May IRIS spent over \$ _____. Given the low price levels in the regions, the fact that many made matching contributions, and the undervalued level of the local currency, at that time, that cost is probably a low end estimate of such a program in the future.
4. The grantee has to be diverse enough so that it can adapt its activities to meet the needs of the country. By working intensively with LPEM and economists in the regions, IRIS was able to create a whole new program adapted to the new situation. A smaller, less a diverse grantee would not have been able to shift emphasis so quickly and effectively. Another example of this is IRIS ability provide conflict resolution specialists on very short notice. Having the resources of the University of Maryland to draw on was extremely helpful. It should also be noted that having the US - Indonesia Society as a partner increased the effectiveness of the program by providing a much broader range of Indonesia contacts and program participants than would have been possible with LPEM alone.
5. In transitional situations a successful program should aim to expand and diversify its client base, and look for new contributors who will be growing in importance as a result of the changes occurring in the society. Examples are universities and policy research institutes, emerging NGO's, recently established political parties and legislatures, and new commissions and regulatory agencies. IRIS was among the first in Indonesia to work with a network of institutions throughout the country in a systematic and comprehensive way. The university network is the most obvious example of this, but efforts were made to include NGO's and newly formed political parties into the regional conferences. Contacts were thus established with a broad range of nascent civil society organizations and their presence at the conferences improved their visibility and credibility. For many of these groups in the regions the economic education conferences were their first contact with a donor sponsored activity.
6. To be successful a program like this needs to be able to enlist a critical mass of half dozen or more competent, committed, locally based individuals who are available to travel extensively and meet schedules during the window of opportunity. The key individuals during the presentations were Anwar Nasution, Sri Mulyani and Emil Salim. They were assisted by a strong team of supporting individuals which included IRIS staff and other ex-pats, but it was necessary to have a fully credible Indonesian as the main speaker at each conference. Fortunately previous AID programs had supported the education of a cadre of economists and other key professionals so there was a pool of qualified and committed Indonesian to draw from.
7. If the cadre of substantively strong, locally based, bi-lingual economists and other professionals are available, then the manager and organizers of the program do not have to be economists or have extensive local knowledge. The management of the program

was entirely in IRIS hands and was done by a highly competent and motivated individual who was not an economist and had never been to Indonesia before (check this). Local experience and an economics background would have been a plus, but turned out not to be essential. The project director did however have a wealth of good advisors, with broad economic and/or Indonesian experience to draw on within IRIS, LPEM, the US Indonesia Society, and benefited from IRIS broad experience in other countries.

8. To be successful in such an endeavor timing is everything. There was a 3 to 4 month window of opportunity after Ramadan and prior to the official start of the campaign and the program had to be carried out then or not at all. It was much more important to get the timing right than to delay while, for example, looking for an experienced, Bahasa - speaking economist to be in charge. It is the need for getting the timing right that drives many of the other lessons learned, specifically having adequate expendable funding ready and also having the cadre of internationally trained, locally credible individuals in place ready to commit to the program.
9. A last point is that a non-profit, university based organization is ideal for such activity. The conferences are much more acceptable and credible to local audiences if the US connection is via a university working with Indonesian universities and NGO's. This is not to say that for-profit contractors couldn't do such an activity, but that it would raise questions among some of those involved who are predisposed to be suspicious of business and especially global enterprises.
10. Finally, this success is not Indonesia specific. Where all or most of the conditions noted above are present, especially the cadre of competent local people and a network of regional universities and economists, then a similar program should have a reasonable chance of succeeding in transitions to democracy. The key is being ready to move forward with the right program when the window of opportunity opens.

INDONESIA'S SMALL and MEDIUM ENTERPRISES

Weathering the storm

Indonesia's small and medium sized enterprises (SMEs) were the country's most resilient economic actors through the economic crisis. They did not, however, survive unscathed. Indonesian SMEs faced numerous obstacles even before the crisis, some of which stemmed from government policies: poor knowledge of business opportunities, excessive red tape, high transaction costs, a non-competitive environment and limited access to credit. The economic crisis exacerbated many of these problems by further choking off credit and increasing prices of raw materials and services, in addition to cutting the purchasing power of consumers. Nonetheless, numerous SMEs found opportunity amid the economic chaos. Many have substituted lower cost raw materials and products, turned to export markets, broadened business networks and shifted to sectors with better prospects. Most were not affected by spiraling interest rates - Foundation research shows that more than 95% of SMEs are financed from outside formal financial institutions.

The Asia Foundation has provided germane, up-to-date information on SMEs to business associations, government departments and agencies, think-tanks, the parliament, non-government organizations, and international donor agencies. The Foundation's monitoring efforts detected the first signs of SME resilience and flexibility in the changing business environment. The Foundation is currently drawing on its knowledge of this issue to work with the government, opinion-leaders and SMEs to improve the regulatory environment in which SMEs operate.

HIGHLIGHTS OF FOUNDATION PROGRAMMING

The Asia Foundation's SME program, which is largely funded by the US Agency for International Development, has brought entrepreneurs in closer contact with each other and strengthened their links with government officials and relevant NGOs through activities such as National Conferences for SMEs in 1997, 1998, and 2000. Attending those conferences were representatives from fourteen regional forums (FORDA) of SMEs at the provincial level. These events raised awareness of the critical role of SMEs in the economy and were designed to increase the influence of SMEs in the policy-making process.

The Foundation is also exploring ways to promote the establishment of "one-stop service" centers for obtaining government permits. SMEs would benefit greatly from a simplified and transparent licencing process, as demonstrated in Gianyar, Bali, where Indonesia's first "one-stop service", was established. The Foundation has worked with the Department of Home Affairs and other partner to expand this service which will help to shape an efficient and transparent business environment that will improve the performance of SMEs .

The "one-stop service" in Gianyar helped increase local tax revenues by over 70% in its first two years of operation. Likewise, the number of registered business increases from just under 16,000 to more than 21,000.

The Foundation's input on SME issues has been sought by major international agencies, including the Asian Development Bank (ADB), the World Bank and the International Labor Organization. The Foundation has sponsored policy studies, the findings of which have been accepted and incorporated into the policy prescriptions attached to IMF and ADB loans.

The Foundation strongly supports the enactment of a sound competition law, which would eliminate all artificial barriers to the entry of SMEs (and all other businesses has) into any industry. The Foundation has led dialogue on the Anti-Monopoly and Fair Competition Law and, with its partners, is engaged in efforts to ensure the true spirit of the law is adhered to, and that all business including state -owned enterprises, are subject to it.

The Foundation's research on strategic alliances between large companies and SMEs shows that market-based, voluntary alliances are the most effective arrangements for sharing information and transferring technology to SMEs. Such alliances will assist export-oriented SMEs to better position their products in highly competitive world markets. Creating an environment which can produce mutually beneficial strategic alliances will be a key step toward creating vibrant SMEs in Indonesia.

Center for Commercial Law and Economics (CCLE)
Udayana University and the
University of San Francisco School of Law
Cooperative Agreement No. 497-A-00-98-00032-00

Program Description and Highlights

CCLE was opened at the Bukit Jimbaran campus of Udayana University in March 1999. CCLE has five goals that are to: 1) Develop the economy, law and legal institutions of the least-developed areas of Indonesia, areas previously isolated from international resources and expertise; 2) Develop Eastern Indonesia's economic and commercial law community; 3) Expose the business community and government officials, including Provincial Parliaments and Governors' Offices, to international standards of business ethics and public service to increase rule-of-law consciousness; 4) Improve regional economic and legal policies in order to create an internationally and domestically competitive economy, particularly by assisting the provincial governments of Bali, NTB and South Sulawesi to research and draft new regulations in the area of economic law; and 5) Promote long-term ties between Indonesia and the United States.

The activities carried out by CCLE to attain the goals set out above and USAID's Intermediate Results can be separated into four main areas: 1) The development of the law faculties and curriculum in eastern Indonesia through training and research grants made to teaching staff of law faculties (IR 1 and IR 4); 2) Provide Continuing Legal Education opportunities to legal professionals and business persons in eastern Indonesia (IR 3 and IR 4) ; 3) Work with government and NGOs at the provincial and regional level to develop policy analysis and legislative drafting skills (IR 1 and IR 2); and 4) Promote long-term ties between Indonesia and the United States.

CCLE's first priority has been to develop the curriculum and teaching staff at Udayana University's Faculty of Law and teaching staff from other public and private Faculties of Law in eastern Indonesia.

- ▶ In 1999 CCLE provided grants to five Udayana University faculty for the research and writing of an original paper of publishable quality on a topic concerning **economic law**. USF faculty and staff mentored the research to help the faculty develop their research skills. All of the research produced under this grant program has been shared with the DPRD and Governor's Office in Bali. **One of the research papers attempted to provide a legal basis for the expansion to other regions of the one-stop business license shop pioneered by the Gianyar regency building on an earlier TAF program.**
- ▶ In the summer of both 1999 and 2000 CCLE presented a 6 week course on social science research and writing to over fifty teaching staff from state and private law faculties from throughout eastern Indonesia. **Trainees came from universities on Bali and from: Hasanuddin University, Nusa Cendana University, Pattimura University, Mataram University, Tanjung Pura University, Lambung Mangkurat University, Sam Ratulangi University and Tadulako University.**
- ▶ CCLE began an English language program in 1999 for teaching staff of the Law Faculty and Economics Faculty at Udayana University. As a result of training in this ongoing program, **one member of the teaching staff has gone to the UK to do advanced study and another was selected by AUSAID to participate in an advanced three-month training program on Intellectual Property in Australia.**

- The research grant program in 2000 reached out to other law faculties. Four research grants were awarded to teaching staff at law faculties off Bali. **A fifth grant was made to a team from the teaching staff of the Law and Economics Faculties at Udayana University to study impacts of decentralization on small businesses in Bali.**

CCLE initiated a groundbreaking series of Continuing Legal Education seminars to promote a policy level dialogue on new draft laws between the legal profession in Eastern Indonesia and the government.

- The CCLE seminars on the Draft Law on the Legal Profession were the first to make the Draft Law on the Legal Profession public. A total of 224 legal professionals attended the CCLE seminars on the Draft Law on the Legal Profession and demonstrated unanimous support for the establishment of a single, independent Bar Association in Indonesia that would have responsibility for the development of a code of ethics for legal professionals, the regulation of the profession and the licensing of lawyers to practice before the courts. As a result of the overwhelming support given to the draft law by participants in the CCLE seminars on the Draft Law on the Legal Profession **the government has moved to advance the date of the submission of the draft to the Parliament.**
- With the demonstrated support of the participants in the CCLE seminars on the Draft Law on the Legal Profession, **the drafting team was able to convince the government to remove an article from the Draft Law on the Supreme Court that would have made the judiciary solely responsible for licensing lawyers to practice before the court.** This is a major victory for those who are trying to reform the courts. It would have been impossible to break the circle of corruption between judges and lawyers if there were no independent oversight of lawyers.
- CCLE held its workshops in Bali, Mataram and Manado on the new Fiduciary Transfer law. The workshop was well received by local legal professionals and Bankers who requested more such workshops in Eastern Indonesia. At the request of the Association of People's Credit Banks ((PERBARINDO) in Bali CCLE ran a fourth workshop for PERBARINDO members on Fiducia as they felt this law would impact their membership more so than any other recent legislation. **As a result of CCLE's series of workshops on the Fiduciary Transfer Law the Department of Justice has decided to make major changes to the law though revised government regulations.**
- CCLE hosted a workshop in Jakarta to provide a forum for Indonesian legal professionals and academics to discuss future policy initiatives with Senior Government Policy Makers. **The most interesting outcome of this activity was the emphasis on court reform and the importance of court reform to a economic recovery.** Participants time and again said that without a functioning court system, the best laws in the world won't help the economy.

CCLE's continuing legal education program also offers short and long courses to Indonesian legal professionals and law teachers.

- The 40 hour Alternative Dispute Resolution (ADR) course covered negotiation, mediation and arbitration and was taught by Mr. Eric Putzig a law teacher from the USF Cambodia Project and Ms. Wiwiek Awiati, head of the Conflict Resolution Division at the Indonesian Center for Environmental Law. The majority of **participants in the course on ADR are from the travel industry reflecting that industry's interest in negotiation and mediation especially for labor disputes.**
- The Contract Law workshop was taught by Prof. Jeff Brand, Dean of the USF School of Law, Mr. William Wiebe a US-based lawyer, Dr. Peter Mahmud a lecturer at

Airlangga University and Mr. J.S. Wibisono, Chairman of the Bali Chapter of the Indonesian Notaries' Association. **The workshop became the catalyst for the development of a Contract Drafting Course that is being taught at three Universities this year including Gadjah Mada University in Yogyakarta.**

- ▶ **CCLE's Bankruptcy workshop in July provided the first opportunity for any of the participants to actually read the April 1998 bankruptcy law.** Distribution of law to the provinces is usually slow, but it was even more pronounced in 1998 and 1999 with the Parliament passing an unprecedented number of laws. This workshop also provided Balinese with rare access to an Indonesian policymaker in Prof. Syahdeini (who is on the Minister of Justice's team of expert advisors).
- ▶ Other workshops presented by CCLE included: **A workshop on Intellectual Property Rights which featured the current (Zen Umar Purba) and first (Nico Kansil) Director General for Intellectual Property from the Indonesian Department of Justice as keynote speakers.** The two other presenters Lisbeth Hesse and Lewis Barr are in private practice in the San Francisco area. **A workshop on Creditworthiness was presented by a long-time expatriate banker, Mr. Ken Wynn, Mr. Remy Syahdeini, and two lawyers from Dermawan and Co, a Jakarta-based law firm specializing in bankruptcy litigation.** The workshop covered issues of interest to businesses that will be seeking bank loans as soon as Indonesian banks begin loaning money again. Specific issues included new banking regulations, what banks are looking for when making a loan, the new secured transactions law and corporate governance.

CCLE provides support to the government and NGOs both at the provincial and the regency level.

- ▶ CCLE cooperated with ELIPS to have well known legislative drafting training team of **Ann and Robert Seidman prepare a legislative drafting needs assessment for Bali's government and NGOs.**
- ▶ CCLE supported a seminar on Decentralization that included speakers from the PEG TA team and visiting advisors to the IRIS/LPEM program. **The seminar, which dealt with both legal and economic issues facing regional governments in the wake of decentralization, was attended by members of DPRDs and officials from regional government offices.**
- ▶ CCLE collected materials on regional autonomy issues from various sources in Jakarta including government offices and PEG grantee IRIS/LPEM. **CCLE provided the first copies of the new Government Regulation on Decentralization (PP 25/2000) to the Bali Provincial Government a full month before official copies were received from Jakarta.**
- ▶ **CCLE included recent graduates of the IRIS/LPEM fiscal decentralization training program from Udayana University's Faculty of Economics in a one-year English language course.** It is expected that these Economics Faculty members will also take part in the legislative drafting training and support program being developed by CCLE.
- ▶ USF's Country Director has worked with staff of USF's Cambodia project to have **legislative drafting teaching materials being used in Cambodia adapted for and taught in Indonesia.**
- ▶ **CCLE with funding provided by the University of San Francisco worked with the Bali office of the World Wide Fund for Nature (WWF) and the Center for Environmental Education (PPLH) to develop environmental policy analysis skills.** As a result of the success of this program USF will continue to support a

program to develop environmental policy and law each summer in conjunction with its Summer Law Program.

- ▶ The Legislative Drafting Support Centers at Udayana, Hasanuddin and Mataram Universities are being **set up with generous donations of space from each of the participating universities.**

CCLE's efforts to increase ties between Indonesia and the United States have resulted in some unique programs that will be funded by USF and others in the future.

- ▶ The University of San Francisco's Summer Law program will be open to Indonesian law teaching staff next year. **This will give Indonesian law teachers an opportunity to take up to three JD level courses each year at no cost.** The costs of the program are to be covered by USF.
- ▶ **The environmental policy program will be repeated next year with support from USF, the World Wide Fund for Nature and The Nature Conservancy.** US and Indonesian lawyers will receive training in environmental policy and get experience applying these new skills to current issues in Bali and other parts of eastern Indonesia.
- ▶ Five faculty from USF have participated in CCLE activities and have continued to work with Udayana Faculty on various research and teaching projects.

CCLE has also been active in the community by assisting local legal professionals in the establishment of the first lawyers association in Bali. The Bali Justice Club was founded with the assistance of CCLE in December 1999 at a meeting of over 40 lawyers representing most of the legal professions in Bali (notaries, legal consultants, academics, judges and government lawyers). Unlike the Jakarta Lawyers Club the Bali Justice Club will welcome all legal professionals who share the Club's goals of developing the law, truth and justice under the law, human rights and the spirit of fellowship amongst fellow legal practitioners. **CCLE Director, Prof. Widnyana, was elected President of the new organization.**

- ▶ **The Bali Justice Club held its first public meeting with over 100 local legal professionals in attendance.** The Club's inaugural speaker was Professor H. Soeyandyo Wignyosoebroto a member of KOMNAS HAM who spoke on Human Rights Reform in Indonesia.
- ▶ The Bali Justice Club's speaker at its second meeting was Professor Dr. J.E. Sahetapy the Chairman of the National Law Commission who spoke on Human Rights Reform in Indonesia.

CCLE has begun to look for ways in which to sustain the center after USAID funding ends.

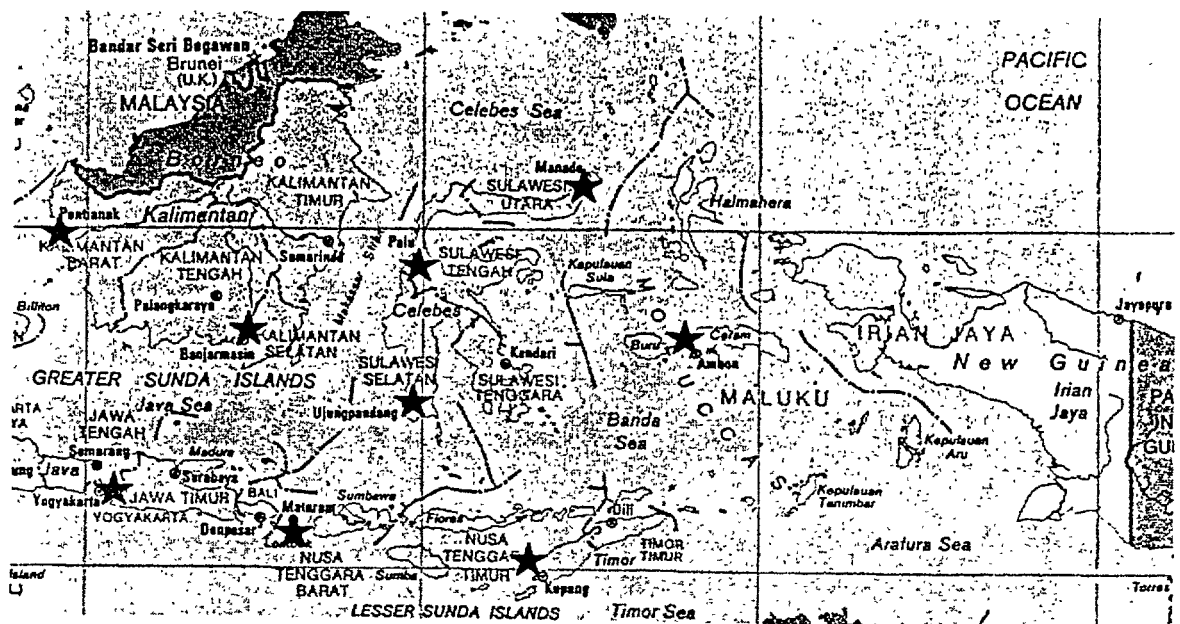
- ▶ CCLE staff have conducted a survey of Indonesian and foreign businesses in Bali to determine if there is a need for an ADR Center in Bali. **There was an overwhelming positive response to the idea of establishing an ADR Center in Bali that focused on labor mediation.**
- ▶ CCLE held its first introductory ADR course in 2000 and will hold a follow-up course on Mediation in November 2000. The course will be presented by a Jay Folberg who is on the faculty of USF and is a world renowned expert on ADR.

- Jay Folberg will return to CCLE in early 2001 to assist in launching the ADR Center. The Center will provide mediation services for businesses in Bali and elsewhere in Indonesia. **Proceeds from the ADR Center will be used to fund other CCLE activities.**

Lessons Learned

- It proved difficult for USF staff to work directly with undergraduate students, thus the focus of curriculum development was shifted to teaching staff development.
- The Bali Justice Club (BJC) was established just prior to the release of the Draft Law on the Legal Profession. One of the goals of the draft law is to set up a unified bar which was also the idea behind the BJC. The BJC became less active after the government introduced the draft law, but the BJC may still prove to be a excellent forum for discussions on the integration of extant professional societies.
- Seminars in which participants from eastern Indonesia have an opportunity to interact with policy makers were very well received by our "public". CCLE has tried to integrate more of these type of seminars into the CLE program.

Locations of CCLE activities and cooperating Universities.



Cooperating Universities off Bali:

Mataram University, Mataram NTB
Tanjung Pura University, Pontianak West Kalimantan
Lambung Mangkurat University, Banjarmasin, Central Kalimantan
Sam Ratulangi University, Manado North Sulawesi
Tadulako University, Palu Central Sulawesi
Hasanuddin University, Makassar, South Sulawesi
Nusa Cendana University, Kupan NTT
Patimura, Ambon, Maluku
Gadjah Mada University, Yogyakarta

SIAGA SUCCESS STORY

The definition of Success Stories:

Activities that have policy impact or policy change not merely process. Targeted policy makers could be seen on the workplan.

REGIONAL SEMINAR AT FIVE CITIES IN INDONESIA

(Yogyakarta, Malang, Samarinda, Pekanbaru, Banda Aceh)

These seminars were designed at bringing up the seriousness of 1997-1998 economic crisis to the government officials, political parties, academic communities and public at large at the local levels facing the general election in October 1999. Judging from the attendant lists in those cities, the events were successful in bringing up the targeted audience. The facts where the ruling party (GOLKAR) was defeated at the poll, indicated that the seminars were successful in bringing up people aspiration on the need of change in the economic governance.

BANKING REGULATION AND REFORM (PROJECT A)

Since Bank of Indonesia had been given independent status by the new Central bank Law, project A, especially its leader, has been very active in discussions of various aspects of banking regulations at various events. Project A's position papers have also been widely circulated facilitating continuous discussions and observations both at the Center Bank level as well as the financial sector in general on complexity of the banking operation in which if not properly managed may lead into inefficiency.

PROJECT B

Taxation

SIAGA was invited to review new tax laws and provide recommendations to the policy makers. The project has contributed significant inputs to the directorate General of Taxation toward the revisions of Income Tax and Value Added Tax laws. Lately members of Project B have been active in the discussions on number of law and regulation on the issues of Fiscal Decentralization and Regional Autonomy which will be implanted in January 2001.

Evaluation on Central Government Expenditure

National development Planning Bureau (BAPPENAS) invited SIAGA to conduct two workshops on Social Safety Net (SSN) and Poverty Alleviation attempting to bring variations of poverty criteria leading into the design of effective SSN delivery mechanism.

DISCLOSURE INDEX (PROJECT C)

SIAGA is finishing financial disclosure index of companies listed at Jakarta Stock Exchange. Similar study is being conducted at the University of Kentucky for US companies. In November 2000, results of both studies will be disseminated to the

Jakarta Stock Exchange, JSX Commissioner, Indonesia Accounting Association, Accounting schools and public at large at various financial centers in Indonesia.

Small and Medium Enterprises (SME) FINANCIAL RESTRUCTURING PROGRAM (PROJECT D)

JITF (Jakarta Initiative Task Force) invited SIAGA) to take significant part in the SME financial restructuring programs in Yogyakarta and Central Java. This activity is an important component in the all steps in the Indonesian Economic Recovery. Here SIAGA will perform as mediator between financial and real sector, which are under serious breakdown during the economic crisis. Although still under budget negotiation with USAID, SIAGA has been running the program at the micro level which includes financial analyses, financial reporting, and management consultation. At the macro level, which will be conducted in few months, it covers dissemination of information to bankers and policy makers (Indonesia Bank Restructuring Agency, Department of Finance, Coordinating Minister for Economic Affairs, Bank of Indonesia, members of committee for Financial Sector Policy Formulation or KKSK and others).

Some Obstacles

During the course of SIAGA Project implementation the following factors were faced and need to be overcome. Internally, several members have moved up into higher position. Dr. Bambang Sudibyo (team C) was appointed as Minister of Finance. Dr. Anggito Abimanyu (team B) was appointed as member of Council Economic Advisor to the president. Dr. Zaki Baridwan (team C Leader) was appointed as Chairman of the Board of Commissioner of Bank Negara Indonesia and serves as Director of Graduate Study at Gadjah Mada University. Dr. Mas'ud Machfoedz (team C) was appointed as vice rector at Gadjah Mada University and also as member of the Board of Commissioner of Bank Tabungan Negara. Dr. Sukanto Reksohadiprodjo (Team B Leader) is also appointed as the chairman of Board of Commissioner of Bank Niaga. Dr. Loekman Soetrisno (team D) passed away in 1999. All of those appointments reduce time availability of conducting research for SIAGA and has been the main reason of slackening in activities. Externally, instability and uncertainty has been surrounding environment in the government of Indonesia. This creates serious obstacles for SIAGA in establishing a collaborative activity with the policy makers.

Lessons Learned

The administrative details required as USAID grantee is new experience for this university in administering research fund. In most cases these details are so deliberate, which in turn become distracting factor in the program implementation.

On the positive side, this program provides valuable opportunity for Gadjah Mada University staff members to participate actively in the process of transformation in

economic governance experiences by the whole nation. With reputable academic credentials of its members, SIAGA activities will make significant contribution. Lessons learned during first year project implementation induced restructurization of SIAGA activities for the second and third years. In addition to access to policy makers at the central government level, more attention should be given to the regional and micro level of economic governance toward stronger national economic fundamentals. The need for advocacy for these levels of activities is observed widely across the regions.

ANNEX V – Scope of Work

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1.1. TITLE:

Evaluation of 4 Grants

1.2. OBJECTIVE

This evaluation is needed to determine the extent to which the grant activities in question are achieving their purpose; to assess the desirability of extension with additional funding; and in this context, what mid-term design modifications are warranted. Lastly, a compilation of lessons learned is desired. The activities need to be evaluated both collectively and individually.

1.3. STATEMENT OF WORKA. SUMMARY

A mid-term evaluation is required for four related but freestanding cooperative agreements. These grants were awarded under the "Partnership for Economic Growth (PEG) Linkages project and funded at approximately \$1 million each. It is anticipated that, some or all will be extended and additional funding made available. The four grants are:

- Cooperative Agreement No. 497-A-00-98-00032-00, subsequently referred to as the USF-Udayana Grant
- Cooperative Agreement No. 497-A-00-98-00033-00, subsequently referred to as the IRIS-UI Grant;
- Cooperative Agreement No. 497-A-00-98-00034-00, subsequently referred to as the Asia Foundation Grant; and
- Cooperative Agreement No. 497-A-99-00005-00, Gajah Mada University, subsequently referred to as the SLAGA Grant.

Contract Mechanism: The evaluation will be preformed under the SEGIR Macroeconomic IQC. The intention is that the chosen SEGIR contractor will field a two-person team - an expatriate expert supported by an Indonesian expert. They will undertake the evaluation and submit their findings within 90 days of receipt of the task order.

B. BACKGROUND

The "Asian Economic Crisis" and the associated political events highlighted and further exposed serious structural flaws in Indonesian economic governance. The mind-set of

many officials and Parliamentarians lacks understanding of the needs of free-market based economy. Even more damaging: opaque, corrupt processes, over centralization, excessive regulation, lack of acceptable standards of corporate governance, and a dysfunctional banking system have discouraged investment and all but arrested economic recovery and long term progress. Meaningful and comprehensive economic reform is essential to move the economy in the direction of efficient market-based decision-making. This is the key to economic progress and political stability.

Activities under the four subjects Cooperative Agreements are implemented through partnership arrangements between US and Indonesian institutions and scholars. These activities seek to upgrade extent and quality of national economic policy debate, improve the context in which economic policy decisions are made, and spark meaningful market-oriented reform.

The activity vehicles to accomplish this are studies, analysis, seminars, training, public fora, and the creation of durable partnerships between US and Indonesian technical institutions and experts.

The areas targeted under the four grants include:

1. USF/Udayana Grant – Improving Legal Education related to economic and commercial law.
2. IRIS/UI – Improving economic governance by strengthening private sector capacity analysis, policy design, and promotion of sound economic policy.
3. Asia Foundation – Rationalizing the regulatory regime for medium and small business enterprises.
4. SLAGA (Gadjah Mada Univ.) Grant – Money and Banking Reform; Fiscal Policy Reform; Financial Disclosure and Privatization; and Competitiveness and Environmentally Sound Business Practices.

C. EVALUATION REQUIREMENTS.

General Requirements:

The contractor should undertake a broad-based assessment of the relevance, effectiveness, efficiency, impact, and sustainability of each of the grants. This should include the activity concept, implementation, management, and overall effectiveness. As this is a mid-term evaluation, the assessment should be in terms of the trajectory of the grant activities with respect to desired accomplishments. Of paramount importance are recommendations to improve the activities, and if appropriate, for design modifications.

Specific Task Elements. The following points, *inter alia*, should be addressed, though not necessarily in the order or structure below.

1. Project context. Assess the concept and fit of the four grants, individually and collectively, to the Partnership for Economic Growth linkage objectives and operating style. Is there consistency with the underlying project and/or symbiotic support to other project elements? Are the activities and sub-activities relevant to the purposes of the grant and of the underlying project?
2. Effectiveness. Collectively and individually, assess the extent to which the nature and quality of the national economic policy debate has been enhanced by the grants. Has progress been made? What concrete accomplishments can be traced to the grants? Are the activities on target to achieve the design results? And if not what changes are required for that end.
3. Efficiency. Are the grants proving to be a cost-effective means of addressing the desired objectives? In the opinion of the evaluators, could the progress in evidence have been achieved more efficiently or effectively with a different choice of activities? Could the administration of the grants been reconfigured to accomplish the same progress more efficiently. Are the institutions administering the grants appropriate to the tasks called for?
4. Practicality/Adequacy of Funding. For individual grants and their sub-activities, assess the ex ante attainability of goals and objectives under the grants. That is, are the goals reasonable in terms of the level of resources and the activity design? Were there good prospects for success? Are the resources allocated to the four grants and within those grants to sub-activities consistent with the requirements for success at the levels foreseen in the design process?
5. Management of the grants. Has the grantee effectively structured and exercised management control over the activity and the commitment and disbursement of funds?
6. Substantial involvement of USAID. Has USAID provided appropriate and timely input in to project strategy and decisions?
7. Personnel: Have the individuals, both Indonesian and expatriate, funded under grant been appropriate to the tasks at hand?
8. Sub-activities: Has the choice of sub-activities been appropriate, and have program decisions been made in a rational and defensible manner.
9. Annual Review: Has the required joint annual GOI-USAID/I review been conducted as envisioned. What has been the opinion of GOI counterparts as to the value of the

grant activities? What suggestions do they have? How should these be accommodated?

10. Counterpart: Has appropriate and meaningful counterpart funding (in kind) been made available by the grantees in accordance with grant terms? Do the levels provided, taken together with the grantee's non-AID funded activities evidence commitment to the objectives of the grant?
11. Sustainability: Are the specific activities (which are open-ended by nature) and the underlying partnership likely to be sustained in the absence of further USAID funding? Have enduring institutional and personal bonds been formed between US institutions and technical experts with Indonesian counterparts.
12. Recommendations. The evaluation will explicitly address the need for mid-term design or operations changes could be made to strengthen each of the activities. It should also address any questions related to the substantial involvement of USAID.

D. TEAM COMPOSITION AND METHODOLOGY

The evaluation will be performed under the SEGIR Macroeconomic IQC. The intention is that the chosen contractor will field a two-person team consisting of one expatriate and one Indonesian. The team leader should have an advanced degree in economics and substantial relevant field experience with economic policy support projects (Ph.D.). Country and/or region-specific knowledge and experience with economic policy support is desirable but not essential.

The second member, the Indonesian legal, economic, or business professional with thorough knowledge and understanding of current Indonesian legal, commercial and economic policy context (Ph.D./MBA). He /she should have advanced technical training and practical experience in the relevant fields (i.e., economics, business and legal, commercial, trade, public administration, economic governance, etc.) Ideally, his technical skills should be complementary to those of the team leader.

The team will carry out the evaluation through:

- review of project documentation (the grant agreement, the Annual Work Plan, the Project Monitoring Plan, etc.);
- interviews with USAID staff and Indonesian counterpart personnel; with presumptive beneficiaries (both direct and indirect); and with knowledgeable individuals in the private sector and academia; and with other donor staff; and
- the review and assessment of a sampling of studies, reports, and analyses funded as sub-activities under the cooperative agreements.